

House File 644 - Reprinted

HOUSE FILE 644
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO HF 375)

(As Amended and Passed by the House March 9, 2021)

A BILL FOR

1 An Act relating to the registration of postsecondary schools
2 with the college student aid commission, and to the
3 postsecondary registration fund under the control of the
4 commission.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 261B.8, subsection 3, Code 2021, is
2 amended to read as follows:

3 3. A postsecondary registration fund is created in the state
4 treasury under the control of the commission. Fees collected
5 under this section and any other moneys approved by the
6 commission shall be deposited in the postsecondary registration
7 fund. Moneys in the fund are appropriated to the commission
8 and shall be used ~~by the commission to administer this~~
9 ~~chapter and chapter 261G~~ for any of the purposes set forth in
10 subsection 4. Notwithstanding section 8.33, moneys in the fund
11 shall not revert to the general fund of the state at the end
12 of a fiscal year. Notwithstanding section 12C.7, interest or
13 earnings on moneys in the fund shall be credited to the fund.

14 Sec. 2. Section 261B.8, Code 2021, is amended by adding the
15 following new subsection:

16 NEW SUBSECTION. 4. Moneys in the fund may be used for any
17 of the following purposes:

18 a. To administer this chapter and chapter 261G.

19 b. To procure, evaluate, and store school records needed to
20 establish the validity of claims against a school for failure
21 to faithfully perform all contracts and agreements.

22 c. To pay institutional charges on behalf of Iowans who
23 enrolled at the school.

24 d. To support an arrangement in which the school provides
25 its current students with the opportunity to complete the
26 students' courses of study when the school closes, including
27 any activities designed to facilitate the transition of such
28 students to another postsecondary educational institution.

29 e. To pay private educational loan debt incurred by Iowans
30 for attendance at the school.

31 f. To reimburse Iowans who enrolled at the school for other
32 financial loss, as determined by the commission.

33 g. For other purposes prescribed by rule by the commission.

34 Sec. 3. Section 714.18, subsection 1, unnumbered paragraph
35 1, Code 2021, is amended to read as follows:

1 ~~Except as otherwise provided in subsection 2 or 3, every~~
 2 Every person, firm, association, or corporation maintaining
 3 or conducting in Iowa any educational course by classroom
 4 instruction or by correspondence or by other delivery method,
 5 or soliciting in Iowa the sale of such course, shall file with
 6 the college student aid commission, in a format prescribed by
 7 the commission, all of the following:

8 Sec. 4. Section 714.18, subsection 1, paragraph a, Code
 9 2021, is amended to read as follows:

10 a. A continuous corporate surety bond to the state of
 11 Iowa in the sum of fifty thousand dollars or ten percent
 12 of the total annual tuition determined in accordance with
 13 subsection 2, whichever is less, conditioned on the faithful
 14 performance of all contracts and agreements with students made
 15 by such person, firm, association, or corporation, or their
 16 salespersons; ~~but the.~~ The aggregate liability of the surety
 17 for all breaches of the conditions of the bond shall not exceed
 18 the sum of the bond. The surety on the bond may cancel the bond
 19 upon giving thirty days' written notice to the college student
 20 aid commission and thereafter shall be relieved of liability
 21 for any breach of condition occurring after the effective date
 22 of the cancellation.

23 Sec. 5. Section 714.18, subsections 2, 3, 4, and 5, Code
 24 2021, are amended to read as follows:

25 2. ~~A school licensed under the provisions of section 157.8~~
 26 ~~or 158.7 shall file that files~~ with the college student aid
 27 commission the following:

28 ~~a. (1) A~~ a continuous corporate surety bond ~~to the state~~
 29 ~~of Iowa in the~~ a sum of less than fifty thousand dollars ~~or ten~~
 30 ~~percent of the total annual tuition collected, whichever is~~
 31 ~~less, conditioned on the faithful performance of all contracts~~
 32 ~~and agreements with students made by such school. A school~~
 33 ~~desiring to file a surety bond based on a percentage of annual~~
 34 ~~tuition shall provide to the college student aid commission,~~
 35 ~~in the form~~ format prescribed by the commission, a notarized

1 statement attesting to the total amount of tuition collected
 2 the school charged to students in the immediately preceding
 3 ~~twelve-month period~~ fiscal year. The commission shall
 4 determine the sufficiency of the statement and the amount of
 5 the bond or, as permitted under subsection 3, letter of credit.
 6 Tuition information submitted pursuant to this subparagraph
 7 subsection shall be kept confidential.

8 ~~(2) If the school has filed a performance bond with an~~
 9 ~~agency of the United States government pursuant to federal~~
 10 ~~law, the college student aid commission shall reduce the bond~~
 11 ~~required by this paragraph "a" by an amount equal to the amount~~
 12 ~~of the federal bond.~~

13 ~~(3) The aggregate liability of the surety for all breaches~~
 14 ~~of the conditions of the bond shall not exceed the sum of~~
 15 ~~the bond. The surety on the bond may cancel the bond upon~~
 16 ~~giving thirty days' written notice to the college student aid~~
 17 ~~commission and thereafter shall be relieved of liability for~~
 18 ~~any breach of condition occurring after the effective date of~~
 19 ~~the cancellation.~~

20 ~~(4)~~ 3. a. The college student aid commission may accept a
 21 letter of credit issued by a state or federally chartered bank
 22 or credit union in lieu of and for the amount of the corporate
 23 surety bond required by ~~subparagraphs (1) through (3), as~~
 24 applicable under subsection 2.

25 b. ~~The statement required in subsection 1, paragraph "b".~~
 26 For purposes of this chapter and chapter 261B, a letter of
 27 credit must meet all of the following conditions:

28 (1) Be payable to the commission.

29 (2) Be valid for a period of at least one year from the
 30 date of issuance and subject to renewal as required by the
 31 commission.

32 (3) Allow the commission to draw one or multiple
 33 installments of the total letter of credit amount upon making
 34 the required presentations to the issuer.

35 c. ~~The materials required in subsection 1, paragraph "c"~~ For

1 purposes of this section, "letter of credit" means a financial
 2 instrument subject to the provisions of chapter 554, article 5,
 3 with irrevocable terms and conditions that cannot be modified
 4 or canceled after issuance without the consent of all of the
 5 parties.

6 4. If a letter of credit accepted by the college student
 7 aid commission under subsection 3 is canceled, revoked, not
 8 renewed, or otherwise fails to be of full force and effect, the
 9 school shall comply with the provisions of subsection 2.

10 ~~3.~~ 5. This section shall not apply to the provision of
 11 an educational course of flight instruction under regulations
 12 promulgated by the federal aviation administration for which
 13 students do not pay tuition in advance of instruction and
 14 which students may cancel at any time with no further monetary
 15 obligation.

16 Sec. 6. Section 714.19, subsections 1, 2, 3, 4, and 6, Code
 17 2021, are amended to read as follows:

18 ~~1. Colleges or universities authorized by the laws of~~
 19 ~~Iowa or any other state or foreign country to grant degrees~~
 20 A community college established under chapter 260C or an
 21 institution of higher learning under the control of the state
 22 board of regents.

23 ~~2. Schools of nursing accredited by the board of nursing or~~
 24 ~~an equivalent public board of another state or foreign country~~
 25 A public college or university created or authorized by the
 26 laws of any other state to grant degrees, in which state the
 27 college or university maintains its principal domicile and
 28 from which the college or university receives public funds to
 29 support the operating costs of the college or university.

30 ~~3. Public schools~~ A school district described in chapter
 31 274.

32 4. Private and nonprofit elementary or secondary schools
 33 recognized by the department of education or a local the board
 34 of directors of a school board district for the purpose of
 35 complying with chapter 299 and employing certified teachers

1 licensed under chapter 272.

2 6. Schools and educational programs conducted by firms,
3 corporations, or persons for which no fee is charged to any
4 student or any other party who assumes the cost of education
5 on the student's behalf.

6 Sec. 7. Section 714.19, subsection 8, Code 2021, is amended
7 by striking the subsection.

8 Sec. 8. Section 714.23, Code 2021, is amended to read as
9 follows:

10 **714.23 Refund policies — penalty.**

11 1. ~~a.~~ For the purposes of this section and ~~section 714.25,~~
12 ~~"postsecondary educational program":~~

13 a. "Payment period" means the same as set forth in 34 C.F.R.
14 §668.4.

15 b. "Postsecondary educational program" means a series of
16 postsecondary educational courses that lead to a recognized
17 educational credential ~~such as~~ including but not limited to an
18 academic or professional degree, diploma, ~~or~~ license, or other
19 certification or designation, regardless of whether the school
20 awards the credential.

21 ~~b.~~ For the purposes of this section, ~~"school period"~~

22 c. "Proprietary school" means a person offering a
23 postsecondary educational program, for profit.

24 d. "School period" means the course, term, payment period,
25 postsecondary educational program, or other period for which
26 the school assessed tuition charges to the student. A school
27 ~~that assesses tuition charges to the student at the beginning~~
28 ~~of each course, term, payment period, or other period that is~~
29 ~~shorter than the postsecondary educational program's length~~
30 ~~shall base its tuition refund on the amount of tuition costs~~
31 ~~the school charged for the course, term, or other period in~~
32 ~~which the student terminated. A school shall not base its~~
33 ~~tuition refund calculation on any portion of a postsecondary~~
34 ~~educational program that remains after a student terminates~~
35 ~~unless the student was charged for that remaining portion of~~

1 ~~the postsecondary educational program before the student's~~
 2 ~~termination and the student began attendance in the school term~~
 3 ~~or course.~~

4 2. a. A proprietary school shall refund all tuition charges
 5 to a student who withdraws within the first two calendar weeks
 6 of instruction.

7 b. A person offering at least one postsecondary educational
 8 program, for profit, that is more than four months in length
 9 and leads to a recognized educational credential, proprietary
 10 school shall make a pro rata refund of tuition charges to an
 11 Iowa resident a student who terminates from any of the school's
 12 postsecondary educational programs or courses after the first
 13 two calendar weeks in an amount that is not less than ninety
 14 ninety-five percent of the amount of tuition charged to the
 15 student multiplied by the ratio of the number of calendar days
 16 remaining in the school period until the date equivalent to
 17 the completion of sixty percent of the calendar days in the
 18 school period to the total number of calendar days in the
 19 school period until the date equivalent to the completion of
 20 sixty percent of the calendar days in the school period. If
 21 a terminating student has completed sixty percent or more
 22 of a school period, the school offering the postsecondary
 23 educational program is not required to refund tuition charges
 24 to the student.

25 c. (1) A proprietary school as provided in subparagraph (2)
 26 shall provide to a student who terminates after the first two
 27 calendar weeks a refund of tuition charges in an amount that
 28 is not less than ninety-five percent of the amount of tuition
 29 charged to the student multiplied by the ratio of the remaining
 30 number of calendar days in the school period to the total
 31 number of calendar days in the school period.

32 (2) This paragraph "c" applies to a proprietary school
 33 whose cohort default rate for students under the Stafford
 34 loan program as reported by the United States department of
 35 education for the most recent federal fiscal year is more than

1 one hundred ten percent of the national average cohort default
2 rate of all schools for the same federal fiscal year or six
3 percent, whichever is higher.

4 3. ~~Notwithstanding the provisions of subsection 2, the~~
5 ~~following tuition refund policy shall apply:~~

6 ~~a. If a terminating student has completed sixty percent or~~
7 ~~more of a school period, the person offering the postsecondary~~
8 ~~educational program is not required to refund tuition charges~~
9 ~~to the student. However, if, at any time, a student terminates~~
10 ~~a postsecondary educational program due to the student's~~
11 ~~physical incapacity or, for a program that requires classroom~~
12 ~~instruction, due to the transfer of the student's spouse's~~
13 ~~employment to another city, the terminating student shall~~
14 ~~receive a refund of tuition charges in an amount that equals~~
15 ~~the amount of tuition charged to the student multiplied by the~~
16 ~~ratio of the remaining number of calendar days in the school~~
17 ~~period to the total number of calendar days in the school~~
18 ~~period.~~

19 ~~b. A school shall provide to a terminating student a~~
20 ~~refund of tuition charges in an amount that is not less than~~
21 ~~ninety percent of the amount of tuition charged to the student~~
22 ~~multiplied by the ratio of the remaining number of calendar~~
23 ~~days in the school period to the total number of calendar~~
24 ~~days in the school period. This paragraph "b" applies to~~
25 ~~those persons offering at least one postsecondary educational~~
26 ~~program of more than four months in length, for profit,~~
27 ~~whose cohort default rate for students under the Stafford~~
28 ~~loan program as reported by the United States department of~~
29 ~~education for the most recent federal fiscal year is more~~
30 ~~than one hundred ten percent of the national average cohort~~
31 ~~default rate of all schools for the same federal fiscal year~~
32 ~~or six percent, whichever is higher. A proprietary school~~
33 ~~that assesses tuition charges to the student at the beginning~~
34 ~~of each course, term, payment period, or other period that is~~
35 ~~shorter than the postsecondary educational program's length~~

1 shall base its tuition refund on the amount of tuition costs
 2 the school charged for the course, term, or other period in
 3 which the student terminated. A school shall not base its
 4 tuition refund calculation on any portion of a postsecondary
 5 educational program that remains after a student terminates
 6 unless the student was charged for that remaining portion of
 7 the postsecondary educational program before the student's
 8 termination and the student began attendance in the school term
 9 or course.

10 4. Notwithstanding the provisions of subsection 2,
 11 paragraphs "b" and "c", if, at any time, a student terminates
 12 a postsecondary educational program after the first two
 13 calendar weeks due to the student's physical incapacity or,
 14 for a program that requires classroom instruction, due to the
 15 transfer of the student's spouse's employment to another city,
 16 the terminating student shall receive a refund of the tuition
 17 charges in an amount that equals the amount of tuition charged
 18 to the student multiplied by the ratio of the remaining number
 19 of calendar days in the school period to the total number of
 20 calendar days in the school period.

21 5. In the case of a program in which student progress is
 22 measured only in clock hours, all occurrences of "calendar
 23 days" in [subsections 2 and 3](#) 4 shall be replaced with
 24 "scheduled clock hours".

25 ~~5.—a.~~ 6. A student who does not receive a tuition refund
 26 up to the full refund of tuition charges due to the effect
 27 of an interstate reciprocity agreement under section 261G.4,
 28 subsection 1, may apply to the attorney general for a refund
 29 in a sum that represents the difference between any tuition
 30 refund received from the school and the full refund of tuition
 31 charges. For purposes of [this subsection](#), "full refund of
 32 *tuition charges*" means the monetary sum of the refund for which
 33 the student would be eligible pursuant to the application of
 34 this section.

35 ~~b.~~ 7. A tuition refund fund is created as a separate fund

1 in the office of the treasurer of state under the control
 2 of the attorney general. Moneys credited to the fund shall
 3 include amounts appropriated by the general assembly and moneys
 4 received as a result of a court order, judgment, or settlement
 5 which specifically directs that moneys be used for the purpose
 6 of providing student tuition refunds, or which authorizes the
 7 attorney general to use moneys for any other purpose at the
 8 discretion of the attorney general. All moneys credited to
 9 the fund are appropriated and made available to the attorney
 10 general for such purposes. For each fiscal year, the attorney
 11 general may expend all moneys in the fund to provide tuition
 12 refunds to eligible students. Notwithstanding [section 8.33](#),
 13 any balance in the fund on June 30 of each fiscal year shall not
 14 revert to the general fund of the state, but shall be available
 15 for purposes of [this subsection](#) in subsequent fiscal years.
 16 Notwithstanding [section 12C.7](#), interest or earnings on the
 17 moneys in the fund shall be credited to the fund.

18 ~~6.~~ 8. A refund of tuition charges shall be provided to
 19 the student within forty-five days following the date of the
 20 school's determination that a student has terminated from a
 21 postsecondary educational program.

22 ~~7.~~ 9. A student who terminates a postsecondary educational
 23 program shall not be charged any fee or other monetary penalty
 24 for terminating the postsecondary educational program, other
 25 than a reduction in tuition refund as specified in this
 26 section.

27 10. A proprietary school shall apply the refund policy
 28 it adopts in accordance with this section to all students
 29 who attend on-campus classes or at instructional sites
 30 in Iowa and to all Iowa resident students who attend the
 31 school's distance education programs. A proprietary school
 32 offering instructional programs or courses under an interstate
 33 reciprocity agreement entered into or recognized by the
 34 commission under chapter 261G shall apply the policy it adopts
 35 under this section to Iowa resident and nonresident students

1 who attend distance education programs the school offers under
2 the interstate reciprocity agreement.

3 11. This section does not apply to any of the following:

4 a. Personal vehicle driving education schools.

5 b. Postsecondary vocational schools that offer solely
6 discrete continuing education courses.

7 c. A for-profit school that offers solely programs for which
8 the sum of tuition, fees, instructional materials, technology,
9 and other items required for program completion is less than
10 three thousand dollars.

11 ~~8.~~ 12. A violation of this section is a simple misdemeanor.

12 Sec. 9. Section 714.24, subsections 2, 5, and 7, Code 2021,
13 are amended to read as follows:

14 2. An entity that claims an exemption under section
15 714.19 must file an exemption claim with the commission. The
16 commission may approve or deny the exemption claim. Except
17 for a school that claims an exemption under section 714.19,
18 subsection 1, 2, 3, or 10, a filing of a claim for an exemption
19 pursuant to section 714.19 must be completed at least once
20 every two years.

21 ~~5. The commission may, at its discretion, require a~~ A
22 proprietary school that must comply with section ~~sections~~
23 ~~714.23 to and 714.25 shall submit its tuition refund policy~~
24 documentation of compliance with sections 714.23 and 714.25
25 to the commission for its review and approval as part of the
26 evidence of financial responsibility filed pursuant to section
27 714.18.

28 7. Except as provided in section 714.18, subsection 2,
29 ~~paragraph "a"~~, the information submitted under sections 714.18,
30 714.19, 714.23, and 714.25 are public records under chapter 22.

31 Sec. 10. Section 714.25, Code 2021, is amended to read as
32 follows:

33 **714.25 Disclosure.**

34 1. For purposes of this section, "proprietary school" means
35 ~~a person offering a postsecondary educational program, for~~

1 ~~profit, that is more than four months in length and leads to~~
 2 ~~a recognized educational credential, such as an academic or~~
 3 ~~professional degree, diploma, or license the same as defined in~~
 4 section 714.23, subsection 1.

5 2. A proprietary school shall, prior to the time a student
 6 is obligated for payment of any moneys, inform the student, and
 7 the college student aid commission, ~~and in the case of a school~~
 8 ~~licensed under section 157.8, the board of cosmetology arts~~
 9 ~~and sciences or in the case of a school licensed under section~~
 10 ~~158.7, the board of barbering, of all of the following:~~

11 a. The current total cost of the postsecondary educational
 12 program as charged by the proprietary school.

13 b. An estimate of any fees which that may be charged to the
 14 student by others ~~which would be required if the student is to~~
 15 ~~successfully complete the postsecondary educational program~~
 16 and in order to obtain a recognized educational credential,
 17 including but not limited to fees for examination or licensure.

18 c. The percentage of students who successfully complete
 19 the postsecondary educational program, and the percentage who
 20 terminate prior to completing the postsecondary educational
 21 program, ~~and the period of time upon which the proprietary~~
 22 ~~school has based these percentages. The reporting period shall~~
 23 ~~not be less than one year in length and shall not extend more~~
 24 ~~than five years into the past in accordance with paragraph "e".~~

25 d. If claims are made by the proprietary school as to
 26 successful placement of students in jobs upon completion of the
 27 proprietary school's postsecondary educational programs, the
 28 proprietary school shall, in accordance with paragraph "e",
 29 provide the student with all of the following:

30 (1) The percentage of graduating students who were placed
 31 in jobs in fields related to the postsecondary educational
 32 programs.

33 (2) The percentage of graduating students who went on to
 34 further education immediately upon graduation.

35 (3) The percentage of students who, ninety days after

1 graduation, were without a job and had not gone on to further
2 education.

3 ~~(4) The period of time upon which the reports required~~
4 ~~by paragraphs "a" through "c" were based. The reporting~~
5 ~~period shall not be less than one year in length and shall not~~
6 ~~extend more than five years into the past method by which the~~
7 proprietary school collected and verified the validity of data
8 provided in accordance with this paragraph "d".

9 e. Information provided by the proprietary school in
10 accordance with paragraph "c" and, if applicable, paragraph "d",
11 shall include all of the following additional data:

12 (1) The applicable program name and the normal length of
13 time required to complete the program.

14 (2) The total number of students in the cohort for which
15 data is reported and the year in which the students began the
16 program.

17 (3) The percentages of students that met the conditions
18 described in paragraph "c" and, if applicable, paragraph "d", by
19 the most recent ending date for program completion in each of
20 the school's programs.

21 f. If claims are made by the proprietary school as to income
22 levels of students who have graduated and are working in fields
23 related to the proprietary school's postsecondary educational
24 programs, the proprietary school shall inform the student of
25 the method used to derive such information.

26 ~~3. The requirements of subsection 2~~ A proprietary school
27 that is initiating operation for the first time is exempt from
28 data reporting under subsection 2, paragraphs "c" and "d", until
29 the school's first biennial renewal application under section
30 714.24, subsection 5.

31 4. This section shall not apply to a any of the following:

32 a. A proprietary school that is eligible for federal student
33 financial aid under Tit. IV of the federal Higher Education Act
34 of 1965, as amended.

35 b. A person described in section 714.23, subsection 11.